

VZCZCXYZ0001
PP RUEHWEB

DE RUEHGT #1586/01 2192334
ZNR UUUUU ZZH
P 072334Z AUG 07
FM AMEMBASSY GUATEMALA
TO RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUEHME/AMEMBASSY MEXICO 4443

UNCLAS SECTION 01 OF 03 GUATEMALA 001586

SIPDIS

SENSITIVE
SIPDIS

TREASURY FOR TREASURER ANNA CABRAL

E.O. 12958: N/A
TAGS: [EFIN](#) [ECON](#) [SMIG](#) [PGOV](#) [GT](#)
SUBJECT: U.S. TREASURER CABRAL DISCUSSES FINANCIAL
INCLUSION DURING JULY 26 TO 29 VISIT TO GUATEMALA

Sensitive but unclassified. Please protect accordingly.

11. (U) Summary. U.S. Treasurer Anna Cabral visited Guatemala July 26-29 to promote the Treasury Department's Latin America Regional Financial Inclusion Initiative. The Treasurer met with senior government officials, private sector businessmen and representatives of financial institutions to discuss the local financial environment and to announce a regional conference to be hosted by Treasury in Washington later this year. The consultations highlighted the importance of financial inclusion coupled with financial education and the productive use of remittances. All agreed that public confidence in Guatemala's financial system needs to be improved and that the majority of the rural areas are underserved and lack basic financial services. End Summary.

Financial Inclusion

12. (U) During a July 26-29 visit to Guatemala, U.S. Treasurer Anna Cabral met with representatives from the public, private and non-profit sectors to promote the Treasury Department's Latin America Regional Financial Inclusion Initiative. This initiative aims to promote financial inclusion of all sectors of the population in Guatemala, Honduras, El Salvador and Mexico. Cabral focused on how to expand access to banks and other financial services to Guatemalans, the majority of whom function exclusively in a cash society. She also discussed the role remittances play in the local economy and how to encourage recipients to better use this form of income.

13. (U) The public, private and non-profit sectors provided similar insights into Guatemala's financial system, most notably its lack of access and public confidence. They noted that although the Central Bank managed the banking crisis well in 2006, there is still a lack of confidence, especially in rural areas, in the financial system. Representatives from micro-finance institutions (MFI) and leading banks in Guatemala asserted that remittances were the only real impetus pushing the rural populations to use the banks, and that the main barriers to financial inclusion were lack of confidence in the banking system, financial education, illiteracy and language. There are 23 indigenous languages spoken in Guatemala, and the literacy rate is only 69 percent among adults 15 years and older according to the World Bank.

MFI Roundtable: Legislation and Information Sharing

14. (U) FENACOAC (National Federation of Savings and Credit Cooperatives) hosted an MFI roundtable for Treasurer Cabral which included representatives from Genesis Empresariales, FUNDEA (Foundation for Business and Agricultural Development), BanRural Bank and FINCA International (Foundation for International Community Assistance). Treasurer Cabral afforded each representative the opportunity to share his experience and opinion regarding the major barriers to financial inclusion in Guatemala. The representatives emphasized the need for greater transparency and financial education. Currently, there are four draft legislative proposals that would improve transparency and information sharing in the areas of micro-finance, reciprocal collateral, moveable property, and non-profit micro-finance organizations. No one expressed confidence, however, that these proposals would move forward quickly because it is an election year and a couple of the bills are still trapped in the "research" stage.

15. (U) The participants also pointed to lack of financial education as a critical barrier to financial inclusion. There is no real formal education program to capture children at an early age to create a more financially literate society. Genesis Empresariales, BanRural and FENACOAC already have programs in place to educate families about the importance of putting remittances to productive use rather than solely consumption. BanRural claims to manage 53 percent of the approximately USD 4 billion remittances coming into Guatemala. FINCA and BanRural identified women as the key to increasing financial inclusion and literacy. BanRural has a two-tier program for remittances, the first for savings and the second for micro-credit. The bank allows women to use their remittances and the sustained frequency with which they arrive as collateral for micro-credit projects. The lack of education is a systemic problem that affects not only Guatemalans in country, but also Guatemalans living in the

GUATEMALA 00001586 002 OF 003

U.S. sending remittances to their families.

16. (U) Finally, the group identified the lack of information sharing as another barrier to financial inclusion. The banks and cooperatives do not share information about clients or their credit histories. There are a handful of credit bureaus both public and private, but each has its own area of specialization and they do not share a common vision or centralized information system.

Banking Roundtable: Remittances Transforming the Financial Sector

17. (SBU) Citibank hosted a bank roundtable that included representatives from five major banks and the Banker's Association. According to the group, the key barrier to financial inclusion was Guatemala's lack of a financial infrastructure. BanRural appeared to be the most innovative bank, taking the lead in increasing financial services and access to rural areas in Guatemala. It has provided ATM machines in five Mayan languages as well as machines equipped with technology that enables use by the illiterate population. The other banks are slowly expanding their financial services in areas such as micro-credit and insurance policies, and the number of bank branches with employees from the local communities who speak indigenous languages to better accommodate the volume of remittances flowing into rural areas.

18. (U) The bank representatives urged the Treasurer to focus on increasing the financial inclusion of the one million undocumented Guatemalans living and working in the U.S. They believed that if Guatemalans in the U.S. changed their banking habits and increased their consumption of financial services, the Guatemalans receiving the remittances here would follow suit. Treasurer Cabral agreed and encouraged

Guatemala to look to replicate Mexico's model using its Consulates within the U.S. to educate and help immigrants open bank accounts in the U.S.

Government Perspective

¶9. (SBU) The President of the Central Bank Antonieta de Bonilla told Treasurer Cabral that BanRural motivated other large banks to focus on rural communities and increase services to that sector. She commented that the informal sector of the economy is a huge barrier to financial inclusion and that more needs to be done to educate Guatemalans about the benefits of using formal financial institutions. Treasurer Cabral announced a regional conference to be hosted by the U.S. Department of Treasury later this year. Bonilla was receptive to the idea of a regional conference and suggested that the Ministry of Education be included on the guest list. Willy Zapata from the Superintendency of Banks noted the conference was a good idea but that it would be useful for participants to have something to take away from it, such as a manual, to which they could refer back upon their return to Guatemala.

¶10. (SBU) Foreign Minister Gert Rosenthal agreed to provide Treasurer Cabral with the names of Guatemalan Consuls in the U.S. who could attend the conference and collaborate on financial inclusion issues, especially for undocumented Guatemalans in the U.S. He hoped the conference would include some form of technical assistance for Guatemala and provide case studies from other countries. Currently, Guatemalan Consulates in the U.S. are working with BanRural and Banco Industrial to lower the margins on remittance transactions and encourage the use of banks due to security concerns. Rosenthal mentioned that the Consulate in New York City reached an agreement with Chase Bank to accept the Guatemalan consular ID card as proof of identity when opening a bank account in the U.S. He said that GOG needed to be careful about linking the Consulates too closely with the U.S. Department of Treasury as many immigrants in the U.S. fear government agencies due to increasing workplace enforcement actions and deportations.

Conclusions

¶11. (U) The final highlight of Treasurer Cabral's visit to Guatemala was meeting with cooperatives and micro-credit

GUATEMALA 00001586 003 OF 003

recipients in Guatemala City, Antigua and the Mayan, Indigenous town of San Juan, Sacatepequez. The site visits provided a first-hand view of the opportunities and challenges of the local financial sector. The Treasurer took time to speak with clients about their experiences and the services that they have received from the cooperatives. They noted that they were able to expand the inventory and production of their small businesses resulting in greater profits as a result of their micro-credit loans.

¶12. (U) The public, private and non-profit sectors were pleased with their meetings and discussions with Treasurer Cabral during her three-day visit to Guatemala and welcomed the opportunity to participate in the regional conference in Washington later this year.

¶13. (U) The cable was cleared by the Department of Treasury.
Derham